

MINUTES

JOINT TRANSPORTATION OVERSIGHT COMMITTEE

Wednesday, April 23, 2008

9:30 a.m.

Room 1228, Legislative Building

The Joint Transportation Oversight Committee met on Wednesday, April 23, 2008 at 9:30 a.m., in Room 1228 of the Legislative Building. Senators Jenkins, Hoyle, Hunt, Kerr, Snow and Stevens; Representatives Cole, Carney, Coates, Gillespie, Ty Harrell, McComas and Saunders attended.

Senator Clark Jenkins called the meeting to order at 9:35 a.m.

Senator Jenkins recognized and introduced Tom Dodson, and Mike Bair, Smithers Scientific Services, Inc. Mr. Dodson presented an overview of tire retread findings. Please see attached presentation "Retread Performance Study, Executive Summary".

Senator Jenkins recognized Representative Saunders. Representative Saunders asked if the carcasses you see on the interstate are more likely to be from one than the other.

Mr. Dodson stated no, it is not more likely it is mold-cure versus pre-cure. It is probably more likely that it is retread, simply because there are so many retreads in dual assemblies on trailers; that the likelihood is the man driving the truck doesn't know he has a problem until someone tells him.

Senator Jenkins recognized Representative Saunders. Representative Saunders asked if there is no difference in the processes, why are there two processes.

Mr. Dodson stated that probably the same reason you have Fords and Chevys. There are just different processes, sir. There are lots of different ways. You could have brick houses or wood houses. You could have pre-cured retreads. I would say that if you went back in time, what you would find is in the early days of retreading, the vast majority of retreads were mold-cures. Not necessarily bead to bead mold-cures, but mold-cures; because it most closely mimicked how you build a new tire. The new manufacturing process; when they are new, are all cured in a mold and they are all unvulcanized rubber that has to be vulcanized. The early retreading processes extrapolated that to putting a new tread on an already vulcanized casing. Over the years, and I think Band-Aid gets a lot of credit for this, whether they deserve it totally or whether others contributed is probably subject for debate. They then advanced the idea of taking vulcanized rubber, a pre-cured, and hooking it back on to vulcanized rubber, a casing. When you look at the

relative labor involved in doing that, and your ability to control the process, it is a much more transferable process probably than a mold-cure process. Both of them work fine, there are just different ways of going at it. The bead to bead process is just a growth of that mold-cured process. Again, whether it is a pre-cured or mold-cured, normally you just deal here in the top of the tire. The bead to bead process extends that down the sidewall and it actually puts a new veneer on the outside. As the pre-cure process has advanced, the transition up here in the buttress area is much better. Although, I think you could still acknowledge there is a slight difference for a bead to bead, it looks a little nicer; but the pre-cure process looks very nice.

Representative Saunders asked if a person is going to go out and start a new retread company, is it more likely to go with one process over another.

Mr. Dodson stated that probably in the United States the answer is yes. They would probably go with a pre-cure process.

Senator Jenkins recognized Representative McComas. Representative McComas stated that it has been discussed in the past that when they pick up the tires, they don't necessarily return the same tires. In regard to casings, how many times should they be capped; is it two, three or is it four?

Mr. Dodson stated how you can be sure you are getting your casings back, and that is something that with a bead to bead process you have to be extra cautious of, because the bead to bead process is going to remove the exterior markings from the tire; making it a little bit more difficult to track, not impossible. Many retreaders will track tires by markings on the inside of the tire; surely it can be resolved that way. As far as how many times to retread a tire, we did not investigate that. That is something you have to look at in the context of if you have an age requirement and how long you are going to use the tire, three years, five years, whatever it happens to be. I believe you were following the two recap process, but I'm not positive on that.

Mike Bair stated that to amplify the question about the differences and how they might be set up today that would build on the technical explanation that Tom gave; the practical considerations of starting a business. There is a well known retreader out there today; a major tire company that got into the retreading business in the United States in the last few years. They have been in the retreading business in other parts of the world for decades. They set up their shops with both mold-cure and pre-cure. They set up with mold-cure because they feel it is an economical way to retread and a consistent way if you are only dealing with one or two sizes, and it is volumes and volumes of production. There is a cost; you have to have a different mold for each of the products. A pre-cure process gives you much more manufacturing flexibility. You can retread numerous sizes and types of tires without the cost of those molds, and you have a lower capital cost to set up. There are a couple of practical considerations in addition to what Tom said. One of the questions we were asked to address was to try and get a handle on what the value of retread sold to the state actually is in the state. It was easy enough to get the value of the tire sold on the contract. It was nothing more than going to, I think it is called,

Department of Administration. Those folks were happy to provide that for us. Thanks, in no small part, to the good folks at DPI. We were able to distribute an electronic survey to the different LEA's in the state and ask a number of questions, but primarily we asked if you are buying any tires off the contract and if you are, what are you buying? We got 104 responses, so I'm satisfied we heard from virtually everyone. You can see there are \$716,000 that were purchased in retreads that are not on the contract; so a little over \$4million, almost \$4.1million. That is probably a pretty decent representation of the value of retreading in the state vehicles. We were asked to consider specifications. You have, not insignificant, specifications in the current retread contract and the RFP for the one that would presumably be going out soon. We acknowledge the effort that has gone into that, and we have some suggestions. Primarily we suggest, why not focus on the things that are really under the state's control. Tom mentioned the number of retreads; that could be something you could specify. The maximum age of the casing; that is something that could be specified in the contract as well. Whether or not the various kinds of repairs are acceptable, and if they are, how many of such repairs. You might consider minimum tread depths for given applications, and you could do others. You might consider retread vendor certification, particularly in the case of maybe a new vendor that is going to be providing a proposal or maybe a vendor that you don't know. You might even have a vendor, such as that, submit some of their products to a laboratory such as ours to be evaluated and bench marked. We do think it is a good idea to remove very specific physical property specifications. We understand why it is there, and don't have quarrel with why it was placed there historically, but we think it is a good idea to let the vendors formulate their rubber compounds to achieve the performance that you expect it to achieve in the fleet. As a practical matter, these rubber formulations are going to vary from time to time. As the engineers and chemists change the formulation to affect tire performance, it will vary somewhat. The ingredients are going to vary somewhat, depending on the price of natural rubber, and there is room to vary them and still achieve the same performances. If you had one, what you will wind up with, is that nobody is conforming to it anyway, because ? over time. It really isn't anything that is under the state's control, as we see it; in no small part, due to the very interesting conversations we had with individuals in purchasing and in fleet management from other states. Earlier in our work, and then due to a request from Lisa Hollowell recently, we took a look at a couple of your very close neighbors, South Carolina and Virginia. In no small part, due to that, learning what we learned from those people, I think it is legitimate to say that there is a likely trend going on in other states, and that is to go to a multi-award contract. Some of the things we heard and learned from talking to those people are mentioned. We heard people speak specifically with, by utilizing the word menu, and that was very descriptive to me. The fellow told me I have a menu of tires, or I have a menu of retreads that I can look at. I could consider things like what is the best solution for my particular fleet application. Who is it in my geographical area that handles these various products and would give me the best chance at uninterrupted service in a time or shortage; they look at it along those lines. We don't know of any other state, certainly none we talked with, that specify bead to bead mold-cure. Utah did specify the use of pre-cure tires; they have two contracts for different parts of the state and they don't prohibit the use of mold-cure, but they prefer the use of pre-cure, and have a case by case exception to use mold-cure products. The others utilized some form of multi-award

purchasing. Separate retread contracts were not necessarily the norm among the states that we talked to. Specifically with your neighbor to the south, in South Carolina, there is no state retread contract. The South Carolina DOT though has a retread contract. I was told that it is presently expired. They will be going out to bid soon. That contract has been with White's Tire Company and they have been purchasing and been happy with the bead to bead mold-cure, again, going out for a bid soon. The South Carolina Department of Education has a very interesting wrinkle on how to do this. As a person that has been involved in the tire business for many, many years, I found this interesting. They are using the state prison system to manufacture their retreaded tires for their school bus operation. If I'm not mistaken, South Carolina owns their school buses. As far as new tires in South Carolina, once again it was a multi-award bid and you can see with Bridgestone Firestone, Continental General, Goodyear and Michelin. In the Commonwealth of Virginia, likewise, no state retread contract. Virginia DOT has its own tire contract; however, its use is not mandatory. As I recall there are 13 highway divisions and one of those divisions, I believe in the tri-cities area, Bristol maybe, was not using the contract. They elected to go with another product. The contract that is available there can provide either pre-cure or mold cure. They did have an interesting specification. I mentioned this just because I thought it was interesting and I hadn't run across it; they specify which casings that they will allow to be retreaded and used in the fleet. They specified, as you can see, Goodyear, Bridgestone Firestone and Michelin; those are the only ones they will permit. The new tire contract was multi-award; Bridgestone Firestone, Goodyear, Continental General and Michelin. Another slightly different wrinkle that is worthy of note, is that when Michelin submitted their price for new tires, Michelin also submitted their price for retreads through their franchise dealers. Although I said there is no state contract, and there isn't a state retread contract, there is state contracted pricing available in the Commonwealth of Virginia through that particular vendor; that particular tire manufacturer in addition to DOT's non-mandatory contract. The school districts that we spoke with let us know that they do their own purchasing. They might buy Michelin retread product for example, that is available off the state pricing; they might buy locally. One particular fellow indicated that it was common to form local consortiums of school districts to build up the volume, to be able to bargain for a good price. One suggestion we'd like to leave you with, and it is just that, you might consider as you go forward, when you consider all the money that is spent for tires and retreading, how very important they are. There is not a person in this room that doesn't keenly understand that. They are costly items. They are not going to tend to become less costly over time. They will probably perform better. Perhaps cost per mile, it is possible you may see directional reductions. They are great products that you are using. Some of the anxiety and some of the grief that we perceive, and this is not the most technically based comment that I am going to share with you, but you may be able to avoid some of that if you chose to keep some real positions open in the fleet protesting on an ongoing basis; have different products being watched over. How you would set that up, I don't know. If you did do that, you could be in a position to kind of have your arms around what is going on with tires and tire performance, maybe to an extent that might be useful to you going forward. We are happy to answer any questions you have.

Senator Jenkins recognized Representative Saunders. Representative Saunders stated that in looking at Virginia and South Carolina, do you see any difference in the expense of doing this. Is it more expensive to do it that way or less expensive?

Mr. Bair stated that was something they were not tasked to look into, and therefore, did not.

Senator Jenkins stated that in some of the discussions we have had prior to your report, there was a question raised as to whether, with the bead to bead process, if you lose the identity of the tire for a liability issue. If you had a blowout that caused an issue, there might be some problem trying to get the guilty party to the table to negotiate because you would have removed the identity of that tire. Is that true, or is the interior marking something that might identify the casing?

Mr. Dodson stated that the answer to that, in the purest product liability setting, if the manufacturer of the retread takes off all the identification of the original casing, and replaces that with their own identification, if that is what they did, now the original casing becomes a subcomponent part of the new product, which is the new tire. The reality of that is, that is fine except that it doesn't allow for the process to go in the other direction. The other direction is, what if the original casing manufacturer has an issue with the tire, and wants to recall it, but you can't figure out where it is anymore. The compromised position of that, and I believe what is being done in many locals is if you do a bead to bead process, you retain significant portions of the original manufacturers identification number; who made it and when it was made so it could be recalled. If the manufacturer of the original casing wanted to do that, then the only thing that is left that you really have to worry about is getting your own casing back. Yes, there is a potential for a downstream liability issue that could be bigger than the supplier of the product, if you can't get back to the original manufacturer.

Mr. Bair stated they mentioned it in the report, part of the information that is on all products today, are product instructions and warnings. We mentioned in the report that it might be worthy of investigation, whether there is any significant risk associated with that being no longer present on the tire.

Senator Jenkins recognized and introduced George Fisk. Mr. Fisk completed a study for the Guilford County school system. Mr. Fisk stated he worked for Goodyear for 31 years. In 1992 he started a tread ware testing company. Mr. Fisk stated he had a couple of comments he wanted to make. There is a tendency for the edge of the tread to lift up; however, there is no cause for tire failure, but with a school bus, you may want to think about that. The bead to bead doesn't have that problem because it is rubber all the way down to the bead. Mold-cure heats the tire at a much higher temperature. As a tire compounder I know that is not the right direction to go. Workmanship is extremely important; that could make or break the retread durability. I do agree with doing away with the chemical specifications. When considering fuel costs, a truck tire can contribute 30-40% of the rolling resistance to a truck. A thick tread will give you much more life, but it will increase the fuel usage.

Representative Cole moved to propose Staff to prepare legislation in view of this study to address some of these issues related to the state contract process.

Senator Jenkins stated that the motion before this committee is that Staff take the recommendations from Smithers and move them into suggested legislation. I believe Representative Cole that it would be necessary for it to come back before this committee for review and discussion. Senator Jenkins said that is a motion.

Senator Jenkins recognized Representative McComas. Representative McComas stated I do support the motion; however, I think it should include something to the affect that, and I'm not saying that I am an expert on tires and recaps, but I know enough to understand the process. I think that if I send my casing up, I want to make sure that there is a way I know I can ? coming back. There is a big market for casings out there and there are many ways you could play with that.

Senator Jenkins asked why don't we make a stab at draft legislation for this committee. That it is a working document for this committee to look at and discuss, and try to bring into a formal document. Is that acceptable?

Representative Coates 2nd the motion.

Senator Jenkins asked all in favor say aye, opposed none; ayes have it.

Senator Jenkins recognized and introduced Jon Nance, Director of Field Operations, NCDOT. Mr. Nance gave an overview of express permitting. Please see attached presentation "Express Permitting".

Senator Jenkins recognized Senator Snow. Senator Snow asked if there was any reason that Asheville, Buncombe County wasn't considered for western North Carolina.

Mr. Nance stated that there was a lot of consideration and discussion. One of the first things we heard from a lot of folks, is what about this area and what about that area. Johnston County is another area that came up as well. We are proposing a pilot period of 12 months to do this. We've got to make sure that we do it in areas where we have enough permits coming in with the fees that are generated as a result of that, to support this program. While we have areas like Asheville, we don't think that the numbers are there yet. We also think that the benefit of going through a pilot program first, for this 12 month time frame, will make it a better system as we take it state wide. It is consistent with what DENR did. Our thought is, as we move forward, that we would have a regional approach to it. If we didn't have one in Buncombe County, for instance, but there was an individual site that wanted to go through this process, they would be able to go to the closest region, or potentially to a central set up in Raleigh. We don't know that yet, but the regional approach, where they come from Buncombe County to Charlotte for instance. It will be reviewed there and we would interact with the division folks clearly in doing that, but you would have an option to have it done in a rural area.

Senator Jenkins recognized Senator Hunt. Senator Hunt stated that relative to the additional personnel for the express permitting, just from a layman's perspective, it seems like you have the same number of cases, why do you necessarily have to add people.

Mr. Nance stated that what we have found is that our road system has increased over the years to over 80,000 miles. Our maintenance efforts, our funding, we struggle with that. What our trend has been for the last 20 years is to take our maintenance employees, the folks that are in the trucks, running the backhoes and shovels and convert them to these types of positions, technicians, engineer positions and we have done that because there is a growing need and demand for these kind of services. What happens is, and you folks probably see it everyday, is we don't have that transportation worker any more to do those kinds of things. Certainly, we can convert more of those types of positions to do these kinds of functions, but again, the road system is growing. The bridges along with the roads are wider and our folks that are day to day on those roads are doing down. Those positions are going down. That was the intent and again it mirrors the DENR approach as well.

Senator Jenkins recognized Senator Hunt. Senator Hunt stated that relative to TIA (Transportation Impact Analysis), how long does the analysis, regarding the impact study, how does that last.

Mr. Nance stated that I'm going to point back to Kevin Lacy. As you know, it will change in a matter of a couple weeks, as far as what is on that roadway. Kevin is our state traffic engineer.

Mr. Lacy stated that it really depends on the area and how fast it is growing. We have some parts of the state, like Buncombe County, that has grown very fast and its TIA, in all practicality, had a six month shelf life because there is so much additional development. We generally tell them six months, but when we receive it we work through it. We are generally looking at a year or two years at the most. Again, depending on the location itself, a lot of times these permits of the track accounts and they count six or eight months ago, turn something in and a couple of years later, they're still using the same track accounts, and we know that the area has grown significantly.

Senator Hunt stated that relative to the time ? the TIA, can he not extend his parameter to population increase or ? and include that in the initial TIA.

Mr. Lacy stated that what we generally see is when you have a sight plan, say the development changes, whenever the change decreases the traffic, we are encouraging folks that we can still use the existing TIA, the one that was submitted, but we will be basing any improvements based upon that traffic. If the change goes up, it really depends on what that change is; for instance, if you are adding residential homes and converting some of that to retail, that will have a completely different impact on the transportation.

Senator Jenkins recognized Representative Carney. Representative Carney stated that her office receives quite a few calls regarding express permitting. I support this and want to move forward as quickly as we can to make it happen. You said you compared, when you looked to Department of Environment and Natural Resources for what they did, are there any other states doing this?

Mr. Nance stated he did not have an answer to that question. We did not look at other states.

Representative Carney stated what is DENR fee?

Mr. Nance stated the fees range from \$260 to \$4,000. It depends on what type of permit, and some go by acre.

Representative Carney asked about the turn around.

Mr. Nance stated the turn around is from three days to 30 days.

Representative Carney stated that for the encroachment abatement and subdivision issues; that you might come back for an additional fee. Is that part of the \$4,000?

Mr. Nance stated there were actually two parts to that. We currently review subdivisions and encroachments and there is no fee, yet we are still spending lots of engineering time looking at those kinds of things and there is zero fee. I'd like to visit initiating a fee for just our standard review. The other part of that is we want to include the complicated, more complex larger encroachments in subdivisions in this express permitting.

Representative Carney stated that currently from the time of development, we're looking at \$50 for six to eight weeks. Now we are going to do \$4,000 for four weeks, gaining a little bit of time. I'm just trying to say that we need to expedite our permitting process and I think that if the current is good but the \$4,000 plus ?, that is a big jump.

Mr. Nance stated, let me do a better job of explaining that. The six to eight weeks is our standard review for routine type driveways, because in a lot of places it is not complicated at all. These types of express permitting candidates are six to twelve months. Not something we are proud of, but the reality is that we are looking at proposing going from six to twelve months to thirty days or less.

Senator Jenkins recognized Senator Kerr. Senator Kerr stated that maybe I didn't hear this correctly, but did you say \$100,000 per man?

Mr. Nance stated are you talking about the staffing, the three engineers and two high level technicians and that is the yearly salary. That is right at mid range of our pay scale for those positions.

Senator Kerr stated that you are talking about more than three people.

Mr. Nance said yes sir, five.

Senator Jenkins recognized Senator Hoyle. Senator Hoyle stated that the six proposed locations; who mans responsibility over those ultimately. Oversight; is it the Division, or where the permit process is located or is it centralized in Raleigh?

Mr. Nance stated out in the field. The permits are signed by the district engineer who works for the division engineer.

Senator Hoyle asked if it had to go to Raleigh to be reviewed.

Mr. Nance stated that their intent is to greatly reduce that.

Senator Jenkins stated may I make a suggestion in the form of a motion or a motion in the form of a suggestion. Why don't we have Mr. Nance get with our Staff and look at several things; one is what are other states doing, what are they charging and how quick do they turn it around. Along Senator Kerr's line, instead of hiring these people, find out if we already have them on the payroll, or why is it we can't contract with third party engineering firms to be on an on call basis, so if we have an application come in here, we have a preapproved contracting firm that we can hand this to and see what that might costs us. This adds up to \$2.4 million and I can tell you, we are not headed there. I would make that as a recommendation; any discussion? All in favor say aye. Ayes have it. Thank you.

Senator Jenkins recognized and introduced Johanna Reese, Legislative Liaison, NCDOT. Ms. Reese presented an overview of NCDOT's Legislative Agenda. Ms. Reese stated that Proposal One, these are follow ups to a bill from last year that gave the counties the authority to participate in financing these projects on the state highway system, if they so choose. We had a number of places where it refers to municipalities; most of what these are, are either changing municipality to county and municipality or changing it to local government to make it conform to new legislation. The exception is at the top of page 4, this is a place where right now there is a limitation on the Department entering into certain types of agreements with municipalities to encourage certain projects. What we are asking is to allow those agreements, but putting a maximum dollar amount on it. Not to exceed 10% to insure that there is not a discrepancy across the division. The rest of it is conforming changes.

Representative Harrell asked for clarification.

Ms. Reese stated the prohibition on these certain types of agreements is to allow those agreements, but it would have a cap of 10% of the divisions equity target; there wouldn't be too much money in a single division going to a single project. We have shared all of these with the League of Municipalities and the Association of County Commissioners. We are still in discussions with them. I did hear back this morning that the County Commissioners are not crazy about C3 at the top of page 4.

Senator Jenkins stated that originally what we discussed was that municipalities, and then we allowed counties to do it, they could pick a TIP project out of the TIP that had been approved by the State Board of Transportation and build it out of their dollars and then get refunded. I would question why we would limit it if it is already an approved TIP project and the county wants to bite off that big a piece of cake; then have at it. Why would you do that? It should have already gone through the test of the equity formula and the test of fairness. I would agree with the counties. I think it is too restrictive.

Ms. Reese stated that in any of these, if you would all like to come back to us between this meeting and the next meeting and discuss further, we'd be glad to. About half way through page 5, Proposal Two, last year we had some legislation that passed that gave some public/private partnership authority dealing with financing. Looking at that, Staff feels there may be some opportunity for such public/private partnerships to extend beyond just the financing and going into the planning, designing and possibly maintaining, so we were asking to expand that authority beyond financing. That is the 136-18 and at the bottom of page 5 136-28.6, those two pieces. Half way down page six, Proposal Three; this is a request to expand some authority that we think we have but would like to make it clear in statute, where it is limiting certain types of bids to highway construction to allow this beyond just highway programs to some of the other modes in the Department of Transportation. At the top of page 7, those are the pieces that are the same statute as before. Some of the smaller contracts go through a different bidding process. Right now, there is a dollar limitation. On the first one, it is \$1.2million and the one on the bottom dealing with the small businesses is \$500,000; that is the limit on the total contract. Some of these contracts go into multiple years. It can be a multi year snow and ice removal or a multi year guard rail repair contract. With the cost of construction, we are asking to make these dollar maximums an annual maximum. That is all we have for the highway and transit pieces. Starting at the top of page 8, we have several DMV requests. Proposal Five is a number of follow ups to last year's legislation that aligned the vehicle inspection and vehicle registration programs, and made the inspection program an electronic program instead of a sticker on the windshield. It is a very extensive piece of legislation and going through the implementation process we found a number of things that we missed and we would like to do some clean up. On page 9, Proposal Six, we have several change requests to commercial drivers' license statutes. The first part, 20-17.4 a, c and d, these are all pieces that are identified in the last audit by the Federal Motor Carriers Safety Administration, as being out of compliance with federal law, and we want to bring these into compliance. The L at the bottom is a loop hole that we found. If someone goes through a substance abuse program very quickly, before we even process the paper work and get them through their hearing, we are stuck and can't get it on their record. If they go to a next job, there is no way for a new employer to know that there had been a problem. At the top of page 10, that is another CDL. It is changing it to three years and it is to make it consistent with other drivers' license violations. Proposal Seven, this is a request by DMV to allow criminal background checks of anyone who is involved in the manufacture or the production of drivers' licenses. This would be drivers' license examiners or people who actually

process and make the drivers' licenses. It is already for the Department of Justice to provide us with the criminal history upon our request.

Representative Cole asked the cost on that.

Neil Dalton, with the Attorney General's Office, stated \$45.

Representative Cole asked for the total amount we have to budget for it.

Mr. Dalton stated that approximately 600 people.

Ms. Reese stated that Proposal Eight, this is hazardous materials definition that applies to people who are transporting hazardous materials. We needed to match the federal definition and we are trying to be consistent with them. At the top of page 11, this is a request, it is not to change the definition of state that is in chapter 20, but added separate definition that restricted just to the commercial drivers license laws. It deals with whether or not we include Puerto Rico. It is our understanding that the CDL program in Puerto Rico isn't as stringent as the federal government would like. We need to remove them from our definition of state. Proposal Nine; right now is someone mails in their vehicle registration renewal, they are charged an additional \$1 as opposed to if you go into a tag agent, or if you do it on line. Many people don't realize this and write the check for the standard \$28 amount. We get it and have to send it back, and request they resubmit. The staff time and postage that goes into that is well over the \$1 that we collect. We have checked with License Plate Agency Association, and they are not opposed to removing this \$1.

Representative Cole asked what the impact on the budget is if we do that. How many did you do?

Ms. Manley stated that through the mail service area we received 832,000 per year, and we send back approximately 78,000.

Representative Cole stated with that kind of dollar amount, what is your cost in postage alone to send out that license plate.

Ms. Manley stated \$23,000 per year. It is not the plate, it is the renewal sticker. It is a customer service problem as well. We have customers that call and say they did not receive it, yet they have received a ticket from law enforcement. After doing research, we found out that we did send the correspondence back. They say yes, I received it but I put it aside. House Bill 1779, that same business process will be in place; therefore, we are also sending back the property tax check as well as the renewal check.

Ms. Reese stated that the last piece was just a statutory correction and I expect that will go in the technical corrections bill.

Senator Jenkins stated that he would like to suggest that Staff look at these proposals as it pertains to local governments financing. I would ask that we add some language to this, if we are going to clean it up. It says that DOT can't give them anything without statutory approval, so that it takes that risk away.

Senator Jenkins recognized and introduced Annalee Griffin, NC Association of Motor Vehicle Registration Contractors. Ms. Griffin reviewed areas of responsibilities and services provided by License Plate Agencies. Please see attached presentation "License Plate Agency Special Report".

Senator Jenkins recognized Senator Hoyle. Senator Hoyle stated that in his opinion, they do a terrific job and provide a great service. I'm a supporter of the tag agencies.

Senator Jenkins recognized Senator Stevens. Senator Stevens asked how long is the time track and what is the opportunity for competition?

Ms. Griffin stated there are three different types of contracts. Mine is open-ended. It can be cancelled for just cause. There are a couple of five year contracts left and some two year contracts.

Senator Stevens asked how do you get one of these contracts. Is it competitive or do you have a monopoly?

Ms. Griffin stated that she did not have a monopoly. From what I have seen and talked to the people at DMV who have been very honest with me; they look at population. They look at the service that is currently being provided in that area, and then they consider whether to add an additional office.

Senator Jenkins stated that Senator Stevens question is when your contract comes up for renewal, as in other state contracts, are other people allowed to make a presentation.

Ms. Griffin stated she did not know.

Bill Gore, Commissioner, DMV stated that the vast majority of these contracts do not come up for renewal. They are, in a sense, perpetual unless and until a contractor does something that is considered a violation of the contract, and for just cause it would be terminated. That is a moving target that is subject to disagreement by DMV and the agents. They just come up for renewal because they are perpetual. The new ones we are putting in place have a two year initial time and then we renegotiate.

Senator Jenkins recognized Senator Hunt. Senator Hunt stated, can we draft legislation so these agencies can accept credit/debit cards. We are in the customer service business, and we can add a little bit to allow that. Is that something that we might like to do?

Senator Jenkins stated he was looking for direction. I'm thinking along the same lines you are. If you could add this fee to it, but if it is going to cost the state \$1million then

I'd say we are not in a position to do that. I don't know why we couldn't draft it and refer it to finance.

Senator Jenkins recognized Representative McComas. Representative McComas stated I think it would be convenient for the customer, whether they want to pay cash or they want to pay an extra fee so it won't cost the state anything. When you register or do anything by email or on the internet, they don't accept American Express or Visa, one of the two.

Senator Jenkins recognized Commission Gore. Commissioner Gore stated, we are with the agents on this. We would very much like to have the ability for them to do this. When HB 1779 comes into affect, folks are going to have to pay much more. Sometimes they'll have to pay property tax on several vehicles; it is going to be a convenience to our citizens. Right now if you go on line, we are allowed to do that with a credit card, but we are not allowed to charge a convenience fee.

Senator Jenkins recognized Senator Hoyle. Senator Hoyle stated that in defense of DMV, they handle billions of dollars. In the past there have been some cases where some unscrupulous agents have misappropriated money. I would encourage DMV to work with these people. They do provide a great service.

Commissioner Gore stated that he has only been here nine months. The first thing I did was to bring agents in and tell them I wanted to have an open working relationship with them. As issues have come up, I have made them aware of them and tried to work it out. The biggest complaint we have frankly, is that the vast majority of them don't have bathrooms and don't have chairs. Each of them are individual agents. Because we have these contracts that we are locked into, we can't go out and demand they do anything else. I think when HB 1779 comes into affect, one of the things we need to look at is that by passing that law, we can't put that extra duty on these agents unless each one of them agree to modification of their contract. I am not looking to put the agents out of business. I think they do a great job. I had lunch with the Commissioner from Indiana last week, and they are doing 17%-20% of their business in kiosks. I think we have to look to the technology.

Senator Jenkins stated, I will make one observation, and that is I understand from the leadership of the tag agents that our current Commissioner has been a good deal more receptive than past Commissioners in working with the DMV tag agents.

Senator Jenkins stated that the last agenda item we have here is the One Stop Analysis. Our Staff tells us that we have in this packet, revised numbers that they have not had time to review. The first set of numbers sent over here, they had some questions about the detail of it. I am going to pull it off the agenda and we will discuss this after Staff has had time to review this presentation.

Senator Jenkins recognized Senator Hunt. Senator Hunt stated, I'd like to go ahead and make a motion that this committee recommend that we allow credit and debit cards at these agencies, and that we eat whatever charge we need to, to make that work.

Senator Jenkins stated, we'll get Staff to draft something for us to look at.

Senator Jenkins recognized Representative Gillespie. Representative Gillespie had handouts of two pieces of draft legislation, "Inland Port Report", and "Inland Port Interstate Compact" for the committee to consider for the next meeting.

Senator Jenkins recognized Representative Carney. Representative Carney presented "Proposal for School Bus Inspection Stickers" for review. The school system's transportation directors are requesting that school buses and activity buses be exempted from the annual inspection required by the DMV.

Senator Jenkins stated that we will have the appropriate agencies get together to discuss this issue to see what can be resolved on it.

Senator Jenkins adjourned the meeting at 11:55 a.m.

Senator Clark Jenkins
Co-Chairman

Representative Nelson Cole,
Co-Chairman

Pattie Johnson
Committee Assistant